Before the Independent Commissioner Panel:
David Hill (Chair), Greg Hill and Sheena Tepania

UNDER	the Resource Management Act 1991
IN THE MATTER OF	Various applications be Te Tūāpapa Kura Kainga – the Ministry of Housing and Urban Development (MHUD) to Rotorua Lakes Council
BETWEEN	**ROTORUA LAKES COUNCIL** **Consent Authority**
AND	**TE TŪĀPAPA KURA KĀINGA – MINISTRY OF HOUSING AND URBAN DEVELOPMENT** **Applicant**
AND	**RESTORE ROTORUA INCORPORATED** **Interested Party**

STATEMENT OF EVIDENCE OF KEVIN GEOFFREY COUNSELL

DATED 11 October 2022

I, **KEVIN GEOFFREY COUNSELL**, independent consulting economist, of Wellington, say:

Introduction

1. My full name is Kevin Geoffrey Counsell. I am a consulting economist, based in Wellington, at NERA Economic Consulting, a global economic consulting firm. I hold a Master of Commerce and Administration degree in economics (with Distinction), a Bachelor of Commerce and Administration degree with First Class Honours in economics, and a Bachelor of Science degree in mathematics, all from Victoria University of Wellington.

2. I have been engaged by Restore Rotorua Incorporated to provide expert evidence in proceedings to determine whether pending resource consents before the Rotorua Lakes Council (**RLC**) to use 13 motels in Rotorua for contracted "emergency housing" by Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (**MHUD**) should be granted. My focus is on the economic effects of resource consents being granted for the 13 motels, and whether any adverse economic effects (including cumulative effects) are more than minor.

3. I previously provided a preliminary brief of evidence in this matter (dated 13 December 2021) in respect of whether pending resource consents for six motels in Rotorua for contracted emergency housing should be publicly notified. Since preparing that evidence, MHUD has lodged resource consent applications for a further seven motels and these applications, along with the original six motels, have been publicly notified. In this present brief of evidence I update my 13 December 2021 preliminary evidence, with a focus on assessing the economic effects in respect of granting resource consent for all 13 motels.

4. I have also reviewed the following briefs of evidence filed in these proceedings:[1]

   (a) The Statement of Evidence of Natalie Hampson, dated 22 September 2022;

   (b) The Statement of Evidence of Shamubeel Eaqub, dated 5 October 2022; and

   (c) The Statement of Evidence of Nicholas McNabb, dated 5 October 2022.

5. I have worked for over twenty years as a professional economist. Broadly my consulting work involves the application of economic analysis to legal and business issues, including on issues relating to resource management and the environment. My work has included assessments of the economic effects of resource consents applications and plan variations and I have appeared as an economic expert before the Environment Court and independent hearing panels on these matters. I have also authored or co-authored papers published in *Planning Quarterly, New Zealand Journal of Environmental Law, Resource Management Journal,* and *Resource Management Theory & Practice* relating to an assessment of economic effects under the Resource Management Act 1991 (RMA). Details of my experience are attached in **Appendix 1** to my evidence.

6. Although this is a Council hearing, I note that I have prepared this evidence in accordance with the Expert Witness Code of Conduct set out in the Environment Court Practice Note 2014. I confirm that my evidence is within my area of expertise. I have not omitted to consider any material facts known to me that might alter or detract from the opinions I express in this brief of evidence. I have acknowledged the material used or relied on in forming my opinions and in the preparation of this brief of evidence.

[1] In addition to these documents, I have also reviewed various media reports and articles in the economics literature that are cited in this brief of evidence.

Summary of evidence

7. My evidence analyses the economic effects of the use of the 13 motels for contracted emergency housing. Economic effects include effects on the profitability of businesses and their ability to operate as a viable business, and the wages earned by employees and/or their ongoing voluntary employment. I assess the adverse (negative) economic effects, but I also take into account any positive economic effects that may partially offset these adverse effects. I assess the cumulative economic effects across all of these motels, including effects of other accommodation establishments in Rotorua that are providing non-contracted emergency housing, and I consider whether the adverse economic effects are more than minor.

8. In summary, my findings are:

   (a) The use of the 13 motels for contracted emergency housing will reduce the available supply of tourist accommodation in Rotorua. This supply reduction is unlikely to be offset by other accommodation facilities in Rotorua, particularly due to a large number of these facilities also currently being used for non-contracted transitional/emergency housing, but also because other accommodation capacity will not be of the desired type and at the desired price point to substitute for the lost capacity from the 13 motels;

   (b) An overall reduction in tourist accommodation supply, combined with adverse impacts of emergency housing on Rotorua's reputation as a visitor destination, will result in a reduction in tourist guest nights i.e., fewer tourists will stay in Rotorua. The reduction in tourist accommodation in Rotorua will flow through to a reduction in tourist expenditure at businesses in Rotorua. There is evidence that a fall in tourist guest nights and tourist expenditure has already occurred in 2021 and 2022, which can be attributed to the use of motels for

emergency housing over this period. Any direct loss of tourist expenditure at some businesses would also lead to indirect "multiplier" effects on interrelated businesses that supply goods and services to directly-affected businesses;

(c) It appears that the 13 motels will be used for emergency housing for the next few years, and therefore the adverse economic effects identified above will persist over this time period. New Zealand's border fully re-opened in July 2022, and international tourism is likely to become more important as a result of this re-opening. Tourism forecasts are for a return to a material number of international tourist arrivals (82-85% of pre-Covid annual arrivals) in less than two years from now. International tourism expenditure, which is greater, per tourist, than domestic expenditure, will be foregone if there is insufficient accommodation capacity for these tourists;

(d) As an estimate of the scale of the expenditure effects, the use of the 13 motels for emergency housing is likely to result in a cumulative loss of annual domestic tourism expenditure to Rotorua businesses of approximately $31.4m. This is approximately 12% of total domestic tourism expenditure in Rotorua (and does not capture any loss of international tourism expenditure or lost expenditure arising from the use of tourist accommodation for non-contracted emergency housing);

(e) A loss in tourism expenditure to businesses may result in financial viability concerns for some businesses, and may be particularly stark for small businesses such as cafés, restaurants, bars, and tourism operators that are heavily reliant on tourism. The consequences of these concerns would include difficulty servicing debt, the need to reduce workforces or some businesses exiting the industry, resulting in unemployment. With the tourism sector as the largest employer in Rotorua, and tourism accounting for around 17% of Rotorua's Gross

Domestic Product (GDP), compared to 6% nationally, adverse economic effects on the tourism sector could be particularly detrimental;

(f) The reduced accommodation capacity can make it difficult for conferences, conventions and sporting events to be held in Rotorua, and there is anecdotal evidence consistent with this. To the extent that events are moved elsewhere and/or there is reduced overnight attendance additional to the reduction in tourism described above, this will further reduce tourism expenditure in Rotorua;

(g) New Zealand Police crime data shows that there has been increased crime rates in areas near to motels used for emergency housing. Increased crime can impose economic costs on society, including medical costs, property losses, loss of income, and increased security costs. An increase in crime can also reduce economic productivity and investment, adversely impacting economic growth;

(h) While the motel owners that contract with the government to provide emergency housing will profit from doing so, this profit is likely to be sufficient to just offset the loss of tourism business to the motels themselves, and therefore any net benefit to motel owners will be marginal; and

(i) The 13 motels are in a relatively concentrated area. Twelve of them are situated on (or near to) Fenton St, which is considered to be the golden mile in Rotorua and runs through central Rotorua where a number of businesses are located. An approximately 1km radius covers those 12 motels. Including the 13th motel (the Lake Rotorua Hotel), a radius of approximately 2km covers these 13 motels, and also includes a large number of other accommodation establishments in Rotorua (including those currently used to provide emergency accommodation). The proximity of emergency housing to businesses

in central Rotorua is likely to exacerbate the adverse economic effects on these businesses.

9. Overall, I find that the use of the 13 motels for emergency housing will lead to numerous adverse economic effects (with only marginal positive economic effects), and I conclude that these effects will be more than minor. I have reached this conclusion on the basis that (a) the direct loss of domestic tourism expenditure, at around 12% of annual expenditure, is not trivial (and is likely to be understated as it does not capture the loss of international tourism expenditure or the cumulative effects of other emergency housing); (b) the concentration of motels near central Rotorua is likely to exacerbate this loss to nearby businesses (c) this loss will adversely affect businesses that are already suffering from the impacts of Covid-19 on tourism, and will occur over a long-term period during which international borders are open and forecasts are for a return to material numbers of international tourists; (d) there are further adverse economic effects to interrelated businesses, the events industry, and in respect of crime; and (e) the tourism sector is particularly important to Rotorua. For these reasons, I also consider the adverse economic effects to be significant, in the sense of being of substantial consequence/importance to the Rotorua economy.

10. Given adverse economic effects are significant, the independent planning witness for Restore Rotorua Mr Vincent Murphy has advised and outlines in his evidence that consideration of alternatives is required. Balancing the submitted demand for contracted emergency housing by MHUD with the planned purpose of Commercial Zone 4 land, an alternative of transferring demand away from the six Fenton Street sites and maintaining them for their planned purpose of tourist accommodation has been identified by Mr Murphy. This alternative will allow some motels to be utilised and available for their planned purpose of tourist accommodation, reducing the extent of the lost tourist expenditure. It will also reduce the concentration of emergency housing in Fenton St, mitigating some of the economic effects that arise in

respect of the increased concentration, particularly in relation to crime, reputational effects, and lost tourism expenditure for nearby businesses in central Rotorua. While this implicitly assumes that tenants at contracted emergency housing on Fenton St are displaced to existing emergency housing establishments that are not also located on Fenton St, I estimate that there is sufficient capacity at non-Fenton St emergency housing establishments to accommodate the displaced tenants. In the event of the alternative being pursued, I consider the cumulative remaining adverse economic effects of emergency housing including the proposed contracted emergency housing to be more than minor and significant, in the sense of being of substantial consequence/importance to the Rotorua economy.

11. The remainder of my evidence is structured as follows:

(a) In the next section, I set out the relevant background to the use of motels in Rotorua for transitional/emergency housing, context on the importance of tourism to Rotorua, and relevant statutory context;

(b) I then outline the economic effects on Rotorua tourism businesses of a reduction in tourism arising from the use of the 13 motels for contracted emergency housing;

(c) In the next section I estimate the magnitude of these economic effects and assess their cumulative nature;

(d) I then analyse the geographic concentration of the 13 motels;

(e) In the next section, I discuss other economic effects related to crime, holiday houses, and potentially offsetting economic effects for motel owners and in respect of employment;

(f) I then consider the implications for economic effects of the alternative identified by the independent planning witness for Restore Rotorua; and

(g) In the final section, I provide concluding comments.

Background

Transitional/emergency housing in Rotorua

12. MHUD has publicly notified 13 resource consent applications to use existing motels in Rotorua for contracted emergency housing.

13. The 13 motels are as follows:

(a) Malones Motel, a 20-unit motel (accommodating up to 66 occupants), at 321 Fenton St, Rotorua;
(b) Lake Rotorua Hotel, a 38-unit motel (accommodating up to 140 occupants), at 131 Lake Rd, Rotorua;
(c) Pohutu Lodge Motel, a 14-unit motel (accommodating up to 58 occupants), at 3 Meade St, Rotorua;
(d) Alpin Motel and Conference Centre, a 40-unit motel (accommodating up to 142 occupants), at 16 Sala St, Rotorua;
(e) Union Victoria Motel, a 20-unit motel (accommodating up to 78 occupants), at 26-28 Victoria St, Rotorua;
(f) New Castle Motor Lodge, a 16-unit motel (accommodating up to 64 occupants), at 18 Ward Avenue, Rotorua;
(g) Ann's Volcanic Rotorua Motel, a 10-unit motel (accommodating up to 39 occupants), at 105-107 Malfroy St, Rotorua;
(h) Apollo Hotel, a 39-unit motel (accommodating up to 117 occupants), at 7 Tryon St, Rotorua;

(i) Ascot on Fenton, a 14-unit motel (accommodating up to 54 occupants), at 247 Fenton St and 12 Toko St, Rotorua;

(j) Geneva Motor Lodge, a 14-unit motel (accommodating up to 52 occupants), at 299 Fenton St, Rotorua;

(k) Midway Motel, a 15-unit motel (accommodating up to 90 occupants), at 293 Fenton St, Rotorua;

(l) Rotovegas Motel, a 27-unit motel (accommodating up to 108 occupants), at 249-251 Fenton St, Rotorua; and

(m) Emerald Spa Motor Inn, a 29-unit motel (accommodating up to 93 occupants), at 284-286 Fenton St, Rotorua.

14. I will refer to the 13 resource consent applications going forward collectively as 'the Applications' or, interchangeably, the '13 motels'.

15. I am also aware of resource consent being granted for the Boulevard Motel in Rotorua to be used for transitional housing. The Boulevard Motel is a 34-unit motel located at 265 Fenton St in Rotorua, with space to accommodate up to 132 occupants.

16. Also of relevance to my evidence is that there are a number of other accommodation establishments in Rotorua that are currently being used for emergency housing, but which have not been contracted by the government. Many of these are "mixed use" establishments, providing both accommodation to tourists and emergency housing.

17. In 2021 and the early part of 2022, there were three managed isolation and quarantine (MIQ) facilities in Rotorua (the Rydges Rotorua; the Ibis Rotorua; and the Sudima Rotorua) and two motels being used to accommodate New Zealand Defence Force (NZDF) staff (who provide services to MIQ facilities). However, in 2022 the MIQ system was decommissioned, and the MIQ and NZDF motels are no longer being used for this purpose.

18. In my December 2021 evidence, I used data from a variety of sources to determine the status of accommodation establishments in Rotorua. Ms Hampson uses September 2022 data from the Accommodation Dashboard (maintained by RotoruaNZ),[2] and cross-checked with some data from RLC and the consent applications, to undertake a similar analysis. I note that the Accommodation Dashboard data was not available at the time of my December 2021 evidence. I have reviewed the Accommodation Dashboard data, and there are some slight differences from Ms Hampson's data, although this is likely to be due to timing differences (I analysed the data in October 2022) and the additional cross-checking that Ms Hampson undertook. For consistency with Ms Hampson's evidence, in Table 1 I set out the results that Ms Hampson finds using the Accommodation Dashboard data on the status of accommodation establishments in Rotorua.

19. Ms Hampson's evidence also includes Accommodation Dashboard data on the number of stay units at accommodation establishments in Rotorua. In Table 1 I have included an additional column which summarises Ms Hampson's findings in respect of the number of stay units by status of establishment.

Table 1: Status of accommodation establishments in Rotorua

Status of establishments	Number of establishments	Number of stay units
Visitors only	85	2,789
The Applications (contracted emergency housing)	13	295
Non-contracted emergency housing	30	456
Non-contracted mixed emergency housing	13	209
Transitional housing	1	32
Closed	4	311

[2] Available at https://www.rotoruanz.com/do-business/insights/accommodation-dashboard

Total	**146**	**4,092**

20. Table 1 shows that 57 of the 146 establishments (39%) are used for emergency/transitional housing (either contracted or non-contracted). A further four are closed for renovations. This leaves 85 that are visitors only, available to solely accommodate tourist demand.

21. I note that the 85 visitor only establishments is a material increase from the 30 that I found (using different data sources) in my December 2021 evidence. However, a large proportion of this difference is accounted for by establishments such as apartments, bed and breakfast facilities, campgrounds and backpackers. For example, of the 55 visitor only establishments that were not included in my December 2021 evidence, there are 21 bed and breakfast facilities, 4 apartments, 6 campgrounds and 2 backpackers. I address the potential for these facilities to act as a substitute for hotels/motels used in emergency housing later in my evidence.

Tourism in Rotorua

22. Tourism is a particularly vital component of the Rotorua economy. Prior to the Covid-19 pandemic, in 2019 tourism accounted for around 17% of Rotorua's Gross Domestic Product (GDP),[3] compared to a 6% share of GDP nationally.[4] In 2019, 23% of employment in Rotorua was directly related to tourism, compared to 9% nationally,[5] with tourism being the largest employer in the District.[6] Statistics New Zealand estimates that, in December 2019 (prior to the pandemic), there were approximately 4,800 filled jobs in Rotorua in selected tourism industries.[7]

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3 Rotorua Economic Development, *Annual Report 2019-2020*, p.6.
4 MBIE Tourism Satellite Account, Table 1, available at: https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/tourism-and-the-economy/
5 Infometrics (2020), "Economic impacts of COVID-19 on the Rotorua Economy – Early Estimates", for Rotorua Lakes District Council, April.
6 Rotorua Lakes Council, Long-Term Plan 2021-2031.
7 Available at https://www.stats.govt.nz/experimental/covid-19-data-portal?tab=Economic&category=Tourism

23. Rotorua is often considered (along with regions such as Queenstown and Kaikoura) to be a key centre for tourism in New Zealand. Indeed, the RLC has recognised the importance of tourism to the District, stating that "a strong tourism sector has been a key element in our district's economic success".[8]

24. The strength of tourism in Rotorua is evident in the growth in (pre-Covid-19) tourist expenditure. In 2011, a target was set to achieve $1 billion of domestic and international visitor expenditure in Rotorua by 2030. To achieve this would have required around 5% growth per annum over this period. However, growth in tourism expenditure was much stronger than expected (around 7% per annum), such that in 2017 the growth target was revised to $1.5 billion in tourist expenditure by 2030.[9]

Statutory context

25. The 13 Applications have been applied for as non-complying activities under section 104D of the RMA. I understand that a key statutory consideration when considering an application for a resource consent under section 104D of the RMA is the actual or potential effects on the environment of allowing the activity and whether the adverse effects on the environment will be more than minor. The definition of "environment" in section 2 of the RMA includes reference to "economic conditions" which affect or are affected by ecosystems (including people and communities), natural and physical resources, and amenity values. I therefore assess the effects of the Applications on economic conditions and I consider whether the adverse effects (taking account of any positive effects) will be more than minor. To simplify the terminology, I refer to effects on economic conditions as "economic effects".

26. From an economics perspective, economic effects can be defined as changes that affect the supply of goods and services by producers and/or the purchase of goods and services by consumers. This includes changes that affect the

[8] Rotorua Lakes Council, Long-Term Plan 2021-2031, p.229.
[9] TRC Tourism (2017), "Rotorua Subregional Tourism Strategy", Final Report, 31 August.

supply of labour services by employees. To give some more concrete examples, economic effects would include effects on the profitability of businesses or indeed their ability to operate as a viable business, the incentives of businesses to invest and innovate, the prices paid by consumers, and the wages earned by employees and/or their ongoing voluntary employment.

27. I understand that the meaning of "effect" in the RMA includes "any cumulative effect which arises over time or in combination with other effects" (section 3 of the RMA). As there are multiple resource consent applications, I also assess the cumulative economic effects across the Applications.

28. In addition, the above language refers to cumulative effects being considered "in combination with other effects". I consider that cumulative effects should include the effects of other accommodation establishments in Rotorua that are providing non-contracted emergency housing. Much of the evidence of Ms Hampson and Mr Eaqub isolates solely the economic effects of the Applications, and effectively ignores the effects of non-contracted emergency housing.[10] However, in my view the effects of non-contracted emergency housing should be part of the cumulative effects being considered. Indeed, ignoring these effects could lead to perverse outcomes, since any single (or small number of) accommodation establishments could be argued to have only minor adverse effects, despite these effects being material when all establishments are assessed together (i.e., cumulatively).

Economic effects on business

29. In this section I set out how the Applications would be likely to have adverse economic effects on businesses which benefit from tourism visitors in

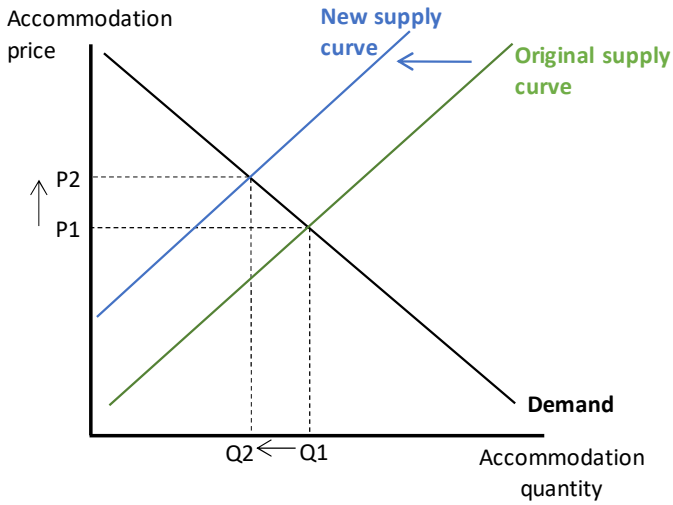
10 See, for example, Ms Hampson's evidence at [148] (isolating the effect of contracted emergency housing on crime) and [248] (isolating the effect of contracted emergency housing on tourist accommodation capacity), and Mr Eaqub's evidence at [8.3] (isolating the effect of contracted emergency housing on tourist accommodation capacity).

Rotorua.[11] I discuss first how tourist accommodation capacity will fall, and then assess the impact of this on tourism and event businesses in Rotorua more generally.

Reduction in capacity to accommodate tourists

30. The use of the 13 motels for emergency housing reduces the available supply of tourist accommodation in Rotorua. In the standard economic framework of supply and demand, a reduction in supply (through an inwards shift of the supply curve) leads to a fall in output and an increase in price. This is shown in Figure 1, where supply shifts inwards, output falls from Q1 to Q2 and price increases from P1 to P2. In this case, a fall in output is commensurate with a decrease in the number of accommodation units able to accommodate tourists to Rotorua, while accommodation prices in Rotorua are likely to increase. On this basis, the removal of the motels as accommodation providers would result in a reduction in the capacity to accommodate tourists to Rotorua.

Figure 1: Shift in supply curve in a standard supply-demand framework



[11] As supported by the submissions of Clinton Joseph Lovell; Richard John Sewell; Yanling Sun; Gregory Colin Brown; Reginald Joseph Hennessy; Bryce Campbell Heard; Marie Donna Walsh; Trevor Weir; Ray Singh; Vipan Gulati, and the evidence for this hearing from Clinton Joseph Lovell, Gregory Colin Brown, Reginald Joseph Hennessy, Marie Donna Walsh and Trevor Weir and others.

31. It may be that other accommodation providers in Rotorua have sufficient capacity to effectively "pick up the slack" and accommodate those tourists that would have otherwise stayed at the 13 motels, mitigating the impact of any capacity decrease at those 13 motels. However, as identified earlier, there are 44 accommodation establishments (including motels) currently being used for transitional/emergency housing purposes (excluding the Applications). Of these, 13 are mixed use emergency housing. A mixed use motel could, in concept, allow for tourism to be maintained if there is spare capacity at the motel after transitional/emergency accommodation has been allowed for. On the other hand, having transitional/emergency housing tenants on-site may discourage some tourists. A single use motel, by definition, could not accommodate tourism even if there was spare capacity.

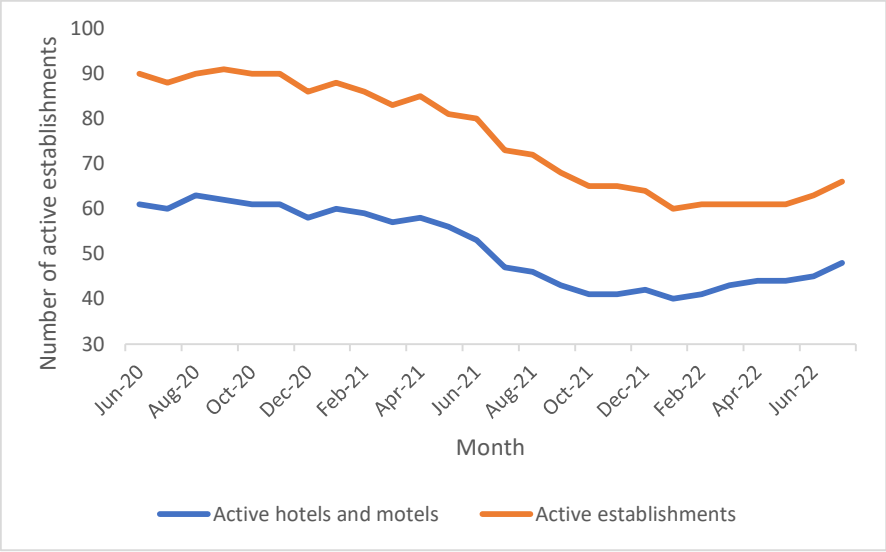
32. To assess whether other hotels and motels could accommodate the capacity lost by the Applications, I analyse Accommodation Data Programme (ADP) data produced by the Ministry of Business, Innovation and Employment (MBIE). At the time I analysed this data (September 2022), the ADP data was available from June 2020 to July 2022, with data on various accommodation metrics such as the number of active establishments, occupancy rates, and guest nights. In Figure 2 I plot the total number of all active establishments in the area covered by the Rotorua Regional Tourism Organisation (RTO), as well as the number of active hotel and motel establishments.[12]

33. Unfortunately, the ADP data are not available before June 2020. In contrast, it appears that at least some of the Applications were providing emergency housing prior to June 2020 (see Figure 1 of Ms Hampson's evidence). Ms Hampson also notes (at [208]) that emergency housing was starting to pick up in Rotorua around 2018. To capture the period when emergency housing was operating, I therefore analyse the ADP data over the entire time period for which it is available, from June 2020 to July 2022.

12 The "active establishments" metric in the ADP excludes MIQ facilities – see https://freshinfo.shinyapps.io/ADPReporting/

34. As Figure 2 shows, the number of active motels and hotels was 61 in June 2020 and fluctuated around approximately 60 for most of 2020 (with a slight downward trend). This has since decreased in 2021 and 2022 to 48 in July 2022 i.e., a decrease of 13 establishments from June 2020 to July 2022, which likely reflects the shift in motels to transitional/emergency housing.

Figure 2: Number of active accommodation establishments in Rotorua, June 2020-July 2022



Source: NERA analysis based on ADP data

35. The reduction in the number of active hotels and motels in Rotorua is not seen in other regions in New Zealand, suggesting that this is not a phenomenon that is also occurring elsewhere (e.g., due to the impacts of Covid-19 on tourism). As Table 2 shows, active hotels and motels have fallen by 21% for Rotorua from June 2020 through to July 2022, but have increased over the same period in other tourist regions of Taupo and Queenstown, and in New Zealand overall.

Table 2: June 2020 to July 2022 percentage change in the number of active hotels and motels across selected regions

Region	Active hotels and motels June 2020	Active hotels and motels July 2022	Percentage change
Rotorua	60	48	-21%
Taupo	59	61	3%
Queenstown	68	77	13%
All New Zealand	3,160	3,178	1%

Source: NERA analysis based on ADP data

36. I understand also that the "active establishments" metric in the ADP data includes as "active" the establishments that provide mixed use transitional/emergency housing.[13] However, these establishments are only partially available for tourists. Accordingly, the reduction in hotels and motels in Rotorua that can fully accommodate tourist demand is likely to be even greater than shown in the active establishment figures.

37. I note that while the number of active hotels and motels in Rotorua has decreased from June 2020 to July 2022, the capacity of hotels and motels has increased over this period, as illustrated in the monthly available stay unit capacity data in Figure 29 of Ms Hampson's evidence. However, as Ms Hampson notes (at [210]), this reflects an increase in capacity in July 2022 due to MIQ facilities becoming operational again for tourist accommodation. That is, it is a one-off increase in capacity, and the overall trend prior to this increase has been a fall in hotel/motel capacity in Rotorua. Indeed, excluding July 2022, from June 2020 through to June 2022, monthly available stay unit capacity in Rotorua hotels and motels fell by 13% (compared with an 11% increase in Taupo, a 66% increase in Queenstown, and a 20% increase in New Zealand overall, over the same time period).

[13] Based on discussions with Fresh Info, the consultancy that collects the ADP data.

38. If the reduction in tourist capacity at the 13 motels could be captured by other accommodation providers in Rotorua, then I would expect to see evidence of this dynamic already occurring, given that there has been a decrease in the number of active hotels/motels and their capacity in Rotorua from 2020 to 2022. That is, I would expect to see an increase in occupancy rates at the establishments that remain active, as tourist demand shifts to these establishments.

39. In Figure 3 I show the occupancy rate for hotels and motels in Rotorua, over the June 2020 to July 2022 period.[14] The occupancy rate varies considerably on a monthly basis and will also vary due to other broader effects on tourism that are not specific to Rotorua. Therefore, as a benchmark I have compared the rate in Rotorua to that in Taupo, which is a nearby region that also has a strong focus on tourism. In Taupo emergency housing is not used to the same extent as in Rotorua and (as noted above) there has been an increase in the number of active establishments and capacity. This provides a way of controlling for other (non-emergency housing) effects on tourism and occupancy rates, so as to better isolate the impact of emergency housing in the Rotorua data.

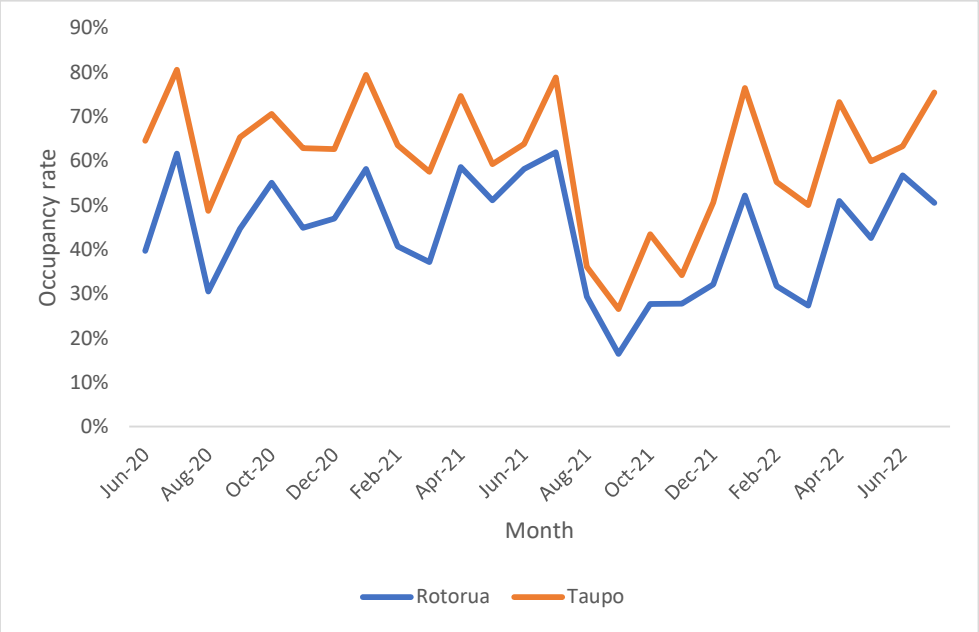
40. From Figure 3, there is no compelling evidence that the occupancy rate at hotels and motels in Rotorua has increased, relative to that of Taupo. Although there is some variability in the data, in general the gap in the occupancy rate between Rotorua and Taupo is relatively stable over most of the time period shown, implying that occupancy of the establishments in Rotorua has not been increasing relative to those in Taupo.

41. Contrary to this evidence, Ms Hampson refers (at [214]) to a submission by Silver Fern Rotorua Accommodation and Spa that it has experienced an increase in occupancy. However, in my view it is preferable to focus on the

[14] The occupancy rate is calculated in the ADP data by taking the stay nights occupied divided by the available monthly stay unit capacity.

occupancy rate of hotels and motels overall as indicated by Figure 3, rather than that of a single provider.

Figure 3: Hotel and motel occupancy rate for Rotorua and Taupo, June 2020 to July 2022



Source: NERA analysis based on ADP data

42. From the above analysis, I conclude that the reduction in tourist capacity at the 13 motels is unlikely to be captured by other hotels and motels in Rotorua, since there is no evidence of this having happened already, despite the number of active hotels and motels and their capacity in Rotorua having fallen from 2020 to 2022.

43. It may be that any reduction in tourist capacity at the 13 motels can be accommodated by facilities such as backpackers, bed and breakfast establishments, holiday parks, campgrounds, lodges and/or holiday rentals (such as those provided by Airbnb). However:

(a) Many tourists that have a preference for a hotel or motel are unlikely to view accommodation such as a bed and breakfast, lodge,

backpackers or campground as an appropriate substitute. Ms Hampson agrees with this view (at [215]), but notes that motels and cabins in holiday parks likely have a similar price point, so there will be a degree of substitution between these establishments. However, tourists will consider dimensions other than just price in their assessment of accommodation options, so will not necessarily perceive cabins and motels to be directly substitutable purely on price. Indeed, there will be distinct segments of the accommodation market with different price points and features, for which capacity may not be substitutable;

(b) The capacity of these facilities in Rotorua is less than that of hotels/motels: using the ADP data, I calculate that the number of stay units in Rotorua across the categories of backpackers, holiday parks and campgrounds, and lodges and boutique accommodation averages approximately 70% of the stay units across hotels and motels from June 2020 to September 2021. From October 2021 to July 2022 the stay units in the former set of establishments is even lower, at around 40% of the stay units in hotels and motels in Rotorua. In addition, many of the establishments such as bed and breakfasts that are not in the ADP data but are in the Accommodation Database referred to earlier have a small number of stay units (typically less than 5);

(c) Some of these facilities are also used to provide transitional/emergency accommodation. For example, the Accommodation Database data referred to earlier shows that various backpackers (Cactus Jacks, Crash Palace Backpackers, and Rotorua Downtown Backpackers) are all used for emergency housing;

(d) While I have not shown the graph here, I note that occupancy rates at these other (non-hotel/motel) establishments in Rotorua have not increased over the time period of the ADP data, relative to a benchmark

of Taupo. Occupancy rates in these establishments in Rotorua are similar in Rotorua and Taupo from June 2020 to February 2022, and since February 2022 there has been a *decrease* in occupancy rates at these establishments in Rotorua (relative to Taupo). This implies that these establishments are not capturing the loss of capacity from hotels/motels used for emergency housing; and

(e) The capacity of holiday rentals is unlikely to be sufficient to absorb the tourist demand that would otherwise be accommodated in hotels/motels. In addition, as I show later in my evidence, there is no evidence that more holiday rentals are being made available, despite the number of active hotels and motels and their capacity in Rotorua falling.

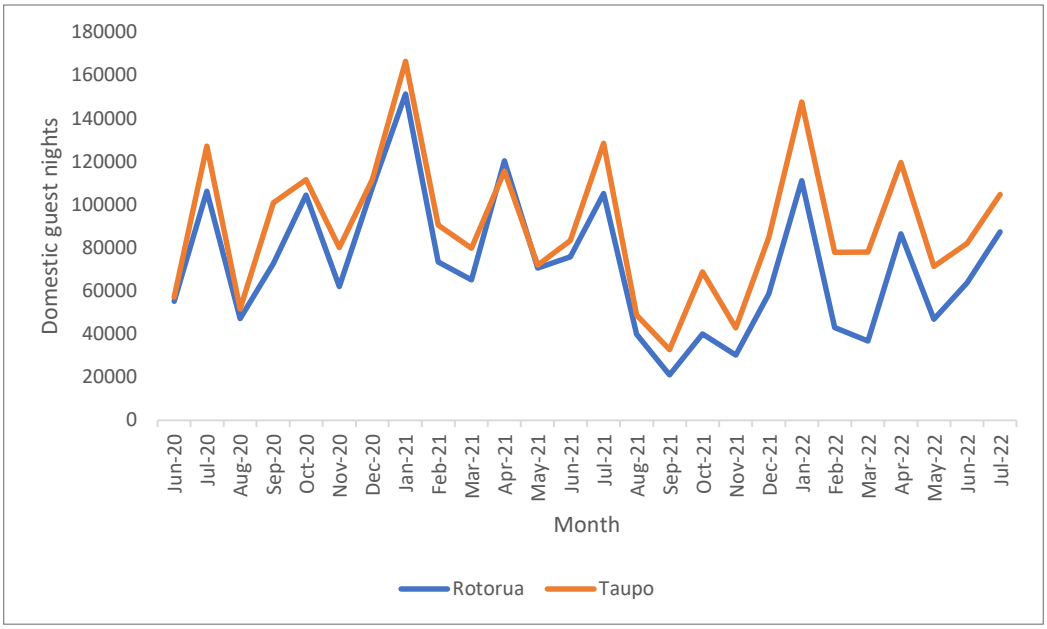
44. The above analysis implies that the use of the Applications for contracted emergency housing will result in a reduction in tourist guest nights to Rotorua because there is insufficient accommodation capacity of the desired type and at the desired price point to meet demand. In addition, it is difficult to disentangle this effect from reputational effects. That is, tourist guest nights may also fall because of the adverse impact of emergency housing on Rotorua's reputation as a visitor destination. Ms Hampson's evidence also explains how emergency housing has adversely affected Rotorua's tourism reputation (at [249]-[262]). Both effects in combination i.e., insufficient capacity and reputational effects, are likely to lead to a reduction in tourist guest nights to Rotorua.

45. In summary, based on the analysis presented in this section, I find that the use of the 13 motels for contracted emergency housing is likely to result in a reduction in tourist accommodation capacity. This reduction is unlikely to be captured by other accommodation facilities in Rotorua. It follows that an overall reduction in tourist capacity, when combined with adverse

reputational effects, will result in a reduction in tourist guest nights i.e., fewer tourists will stay in Rotorua.

46. Indeed, there is evidence that this is already occurring. In Figure 4 I show domestic guest nights at all establishments in Rotorua and Taupo. Until around August 2021, domestic guest nights in Rotorua were generally either similar to, or slightly below, those in Taupo. However, from August 2021 onwards, domestic guest nights in Rotorua have been consistently below Taupo. This fall in tourist guest nights (relative to a benchmark of Taupo) also suggests that the reduction in tourist capacity in Rotorua has not been made up by other accommodation establishments.

Figure 4: Domestic guest nights for Rotorua and Taupo, June 2020 to July 2022



Source: NERA analysis based on ADP data

Response to Ms Hampson and Mr Eaqub

47. In addition to some points already picked up above, Ms Hampson and Mr Eaqub note the following in respect of an analysis of tourist accommodation capacity:

(a) Tourist accommodation is not the reason tourists visit a destination; it is an enabler of guest arrivals, not a driver of it, and therefore a reduction in capacity does not necessarily lead to a reduction in visitors (Ms Hampson's evidence at [205]);

(b) The 13 Applications are only a small share of total accommodation capacity in Rotorua, so this is unlikely to lead to capacity constraints (Ms Hampson's evidence at [237] and Mr Eaqub's evidence at [8.3]);

(c) There are various ways in which capacity at other establishments might increase to offset the loss of capacity at contracted emergency housing establishments (Ms Hampson's evidence at [199] and [233]); and

(d) Demand for tourist accommodation is likely to increase only slowly over the next 5-10 years, implying there will be no capacity constraints (Ms Hampson's evidence at [206] and [231] and Mr Eaqub's evidence at [8.4]).

48. First, regarding the drivers of peoples' decisions to come to Rotorua, I agree with Ms Hampson that accommodation is not a driver of these decisions. However, once people have made a decision to come to Rotorua, if there is insufficient accommodation available (of their desired type and price point), then this will prevent tourist visitors coming. When combined with the adverse reputational effects of emergency housing (which will drive peoples' decision to come to Rotorua), then as discussed earlier there is likely to be a loss of tourist visitors.

49. Second, regarding the Applications as only a small share (8%, as estimated by Ms Hampson at [195(f)]) of total accommodation capacity. As I have discussed above, not all capacity is directly substitutable for the lost capacity of the Applications. Much of the accommodation capacity in Rotorua is for different types of establishments and/or at different price points, such that they will not be an appropriate substitute for tourists that have a preference for one of the 13 Applications. Other accommodation capacity is used for non-contracted

emergency housing, and will not be available as a substitute for the lost tourist capacity from the Applications.

50. To illustrate this, I have estimated the share of capacity if focusing only on motels. Of the Applications, 12 (all but the Apollo Hotel) are listed in the Accommodation Dashboard data as "motels", with a total of 256 stay units across these 12 motels. Excluding motels used for transitional housing or non-contracted (including mixed) emergency housing, there are a further 391 stay units at (visitor only) motels in the Accommodation Dashboard data. Therefore, the Applications make up 40% of the available motel capacity in Rotorua (256 divided by (256 plus 391), albeit that this may be a slight overstatement as some units in mixed emergency housing will be available for tourist accommodation).

51. Third, regarding the ability for capacity to increase in other ways, such as new establishments being built or existing establishments increasing their capacity: this is not a trivial, low cost, or quick task. There are likely to be substantial lags in the ability to increase capacity, due to the need to find a suitable site (for a new build), obtain the appropriate consents and approvals, obtain building materials, build the new facilities, etc. I note that Mr McNabb makes a similar point in respect of building new housing (at [8.24]), that "it requires infrastructure, land may not be zoned, and the construction sector has been beset by delays". Furthermore, investors are likely to be reluctant to invest given the current uncertainties around tourist accommodation in Rotorua. Uncertainties would include the impact of emergency housing on Rotorua's reputation as a tourist destination and how tourist establishments are likely to be treated when they are no longer required for emergency housing. As an example, an investor would be reluctant to sink substantial time and capital into building a new motel, if that investor expects a number of former emergency housing motels to become available in the near future (which would increase competition and capacity and lower prices).

52. Fourth, regarding demand for tourist accommodation. Ms Hampson refers (at [229]) to international tourism forecasts by the Tourism Export Council New Zealand. I interpret these forecasts more optimistically than Ms Hampson. For example, the forecasts are for an increase to 82-85% of pre-Covid annual arrivals by year ended May 2024, which is a return to a material number of tourist arrivals less than two years from now. It may also be that Rotorua, as a tourist destination, could achieve stronger growth in tourist arrivals than other destinations in New Zealand. I note that Statistics New Zealand data on visitor arrivals in July 2022 showed that Queenstown was back to 90% of pre-Covid arrival numbers. [15]

53. For these reasons, my view is that a reduction in tourist accommodation capacity due to emergency housing is likely to occur and be material, and is unlikely to be offset by increased capacity at other establishments or by falling demand for tourism accommodation.

Adverse impacts on Rotorua tourism businesses

54. As established above, the Applications are likely to result in a reduction in tourist guest nights, due to a combination of lower accommodation capacity and adverse reputational effects. If there are fewer tourists staying in Rotorua, then it follows that (all else equal) this will result in a reduction in tourist expenditure at businesses in Rotorua.

55. There is some evidence to suggest that a reduction in domestic tourism expenditure is already occurring, presumably as a result of the fall in active accommodation establishments and capacity throughout 2021 and 2022 as previously illustrated. To see this, I have analysed MBIE data on Tourism Electronic Card Transactions (TECT). The TECT data tracks electronic card spending by both domestic tourists (defined as those using a payment card at

[15] See "Visitor Arrivals Highest Since Pandemic Began", New Zealand Government Press Release, 27 September 2022, available at: https://www.scoop.co.nz/stories/PA2209/S00137/visitor-arrivals-highest-since-pandemic-began.htm

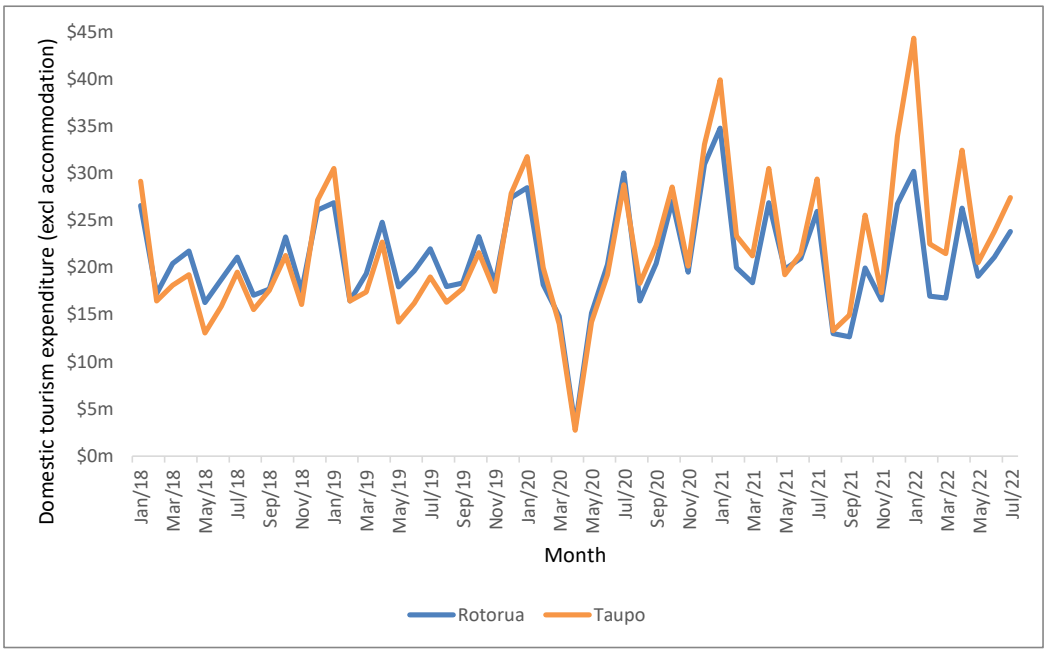
a location that is more than 40km from their usual place of residence) and international tourists (those using overseas payment cards). The TECT data is available on a monthly basis, and at the time I analysed these data (September 2022) was available from January 2018 through to July 2022. Spending by international tourists has been significantly impacted by Covid-19 from April 2020 to April 2021, and therefore MBIE recommends caution in using international spending data over this period.[16] To avoid any data aberrations from the international spending data, I focus only on the domestic data.

56. Figure 5 shows monthly electronic card spending for domestic tourists to Rotorua and compares this with spending by domestic tourists to Taupo. I have excluded spending on accommodation from each of these series, so as not to include any reduction in spending at accommodation facilities that have closed (I return to the issue of reduced accommodation spending (and therefore reduced profits for motel owners) later in my evidence).[17] It can be seen that domestic spending in Rotorua and Taupo shows similar variation over time and is of a broadly similar level. Accordingly, Taupo appears to provide a suitable baseline against which to assess Rotorua tourism expenditure. In the early part of the series, spending in Rotorua is generally very close to, or slightly higher than, spending in Taupo. However, there is a distinct break in this pattern around August 2020. From that point onwards, monthly domestic tourism spending in Rotorua is nearly always below that of Taupo (and since August 2021 the difference between Rotorua and Taupo spending has become even more apparent). This is consistent with the findings earlier of a reduction in the number of active tourism establishments and their capacity in Rotorua compared to Taupo, along with a reduction in tourist guest nights.

16 https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/tourism-electronic-card-transactions/

17 I note that my conclusions would be similar if accommodation spending was included in my analysis.

<u>Figure 5</u>: Monthly electronic card spending for domestic tourism (excluding accommodation) in Rotorua and Taupo, January 2018 to July 2022



Source: NERA analysis based on TECT data

57. Ms Hampson notes (at [242]) that there may be other contributors to a fall in tourism spend in Rotorua, such as the effects of Covid lockdowns, rising inflation and the change in Rotorua's reputation. However, I have used Taupo as a benchmark as a way of controlling for at least some of these effects: for example, Covid lockdowns and rising inflation will also impact spending in Taupo in a similar way to Rotorua. While the change in Rotorua's reputation is a distinct issue affecting Rotorua and not Taupo, this is related to the use of tourist accommodation for emergency housing, so is consistent with my findings on the effects of emergency housing on tourism spending in Rotorua. The need to use a benchmark to control for factors that affect tourist spending more generally also explains why I have not analysed the actual spend in Rotorua on its own, which Ms Hampson suggests (at [243]) is the relevant approach.

58. A reduction in tourist expenditure at businesses in Rotorua will adversely affect the ability of those businesses to earn a competitive return, as they will

experience a decline in revenue. I recognise, however, that some businesses will be able to mitigate any loss in profits by also reducing (or "avoiding") costs. Costs that can be avoided might include any costs that vary directly with changes in output, or any employment costs (if businesses need to reduce the size of their workforce). Nonetheless, as discussed below, any reductions in workforce will itself have adverse effects on employees. Moreover, if businesses continue to operate, many of their costs are likely to be fixed and will not be able to be avoided. For example, businesses are unlikely to be able to reduce their rental and insurance costs following a reduction in tourism demand.

59. There will also be indirect adverse effects on interrelated businesses. A key relevant economic principle in an assessment of economic effects is that a direct effect in a given (primary) market can have further second-round, or indirect/"multiplier", economic effects in related secondary markets. In this case, where there is a direct effect on tourism businesses in Rotorua, this will have an indirect impact on other interrelated sectors of the economy. This occurs because people and businesses that interact with tourism businesses have their patterns of economic activity influenced by the direct reductions in expenditure at tourism businesses, creating small ripple effects in economic activity in other sectors of the economy.

60. For example, a restaurant that serves tourists will purchase food/ingredients from other industries, and any reduction in tourist demand at the restaurant will flow through to a reduction in its demand for inputs from these other industries. Similarly, top tourist attractions in Rotorua such as Skyline Rotorua or Te Puia will use inputs such as food and beverages, electricity, and fuel, which are sourced from interrelated businesses. Many tourism businesses may also contract with interrelated businesses such as transport providers. All of these interrelated businesses can experience adverse impacts due to the initial decrease in expenditure at businesses which they supply goods and services to.

61. As context for the extent of indirect effects, Tourism Satellite Account data produced by Statistics New Zealand calculates both the direct and indirect contribution of tourism to New Zealand GDP. For the year ended March 2020, tourism generated a direct contribution to GDP of $16.3b and a further indirect contribution to GDP of $11.2b.[18] That is, where there is a direct effect on GDP, there is a further indirect effect of nearly 70% of the original direct effect. For the year ended March 2021, the relevant direct and indirect contributions of tourism to New Zealand GDP are $8.5b and $5.8b, which are lower (presumably due to the impact of Covid-19) than in 2020, but show a similar indirect effect of nearly 70% of the original direct effect.

62. These adverse effects should also be considered within the context of an industry that has been experiencing significant adverse effects due to border closures from Covid-19 and the almost complete absence of international tourists. Indeed, for the year ended October 2019 (i.e., prior to any Covid-19 impacts), $354m, or around 40% of total visitor expenditure in Rotorua, was from international visitors,[19] but such spending will have been close to zero during border closures due to Covid-19. The lockdown in Auckland and restrictions on travel beyond the Auckland border through the latter part of 2021 will also likely have had an effect, given that Aucklanders provide the highest annual visitor expenditure ($145m per annum) to Rotorua of all domestic and international visitors.[20]

63. Any further reduction in tourist expenditure will result in a reduction in Rotorua's GDP. Rotorua GDP peaked at $3,962m in the December 2019 quarter, before falling 5% to $3,781m in the December 2020 quarter.[21] GDP

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18 Data available at: https://www.mbie.govt.nz/immigration-and-tourism/tourism-research-and-data/tourism-data-releases/tourism-and-the-economy/

19 Based on international visitor expenditure of $354m and domestic visitor expenditure of $499m, sourced from https://www.rotoruanz.com/en-nz/do-business/insights/statistics-and-research

20 Rotorua Tourism Factsheet, available at: https://rotoruanz.blob.core.windows.net/rotoruanz/rotoruanz/media/pdf/tourism%20statistics/rotoruatourismfactsheet.pdf

21 Data sourced from Infometrics Quarterly Economic Monitor for the Rotorua District, available at: https://qem.infometrics.co.nz/rotorua-district/indicators/gdp?compare=new-zealand,bay-of-plenty-region

has since recovered, to $4,011m in the March 2022 quarter, but any reductions in tourism expenditure will undermine Rotorua's continued recovery.

64. In addition, a reduction in tourism expenditure may result in financial viability concerns for some businesses and may be particularly stark for small businesses such as cafés, restaurants, bars, and tourism operators that are heavily reliant on tourism. Many businesses in Rotorua may be close to a tipping point, due to the loss of tourism expenditure from international tourists and the loss from Auckland tourists in late 2021, and so a small further loss of domestic tourism expenditure could have a material adverse effect on these businesses. Likely adverse effects include:

    (a) Difficulty servicing existing debt;

    (b) The need for businesses to reduce the size of their workforce, resulting in some unemployment; and/or

    (c) Some businesses exiting the industry (which will have further adverse effects on employment).

Adverse impacts on the event industry

65. Another potential adverse economic effect arising from the use of the 13 motels in contracted emergency housing is that it reduces the available accommodation capacity for attendees of conferences, conventions and sporting events. This could lead to a reduction in the number of attendees at these events or a reduction in attendees staying overnight and/or it may act as a deterrence to organisers from holding these events. To the extent that this is additional to the reduction in tourism already described above, then this could further reduce tourism expenditure in Rotorua.

66. There is anecdotal evidence of this effect. For example, in June 2021 it was reported that the Whaka 100 mountain biking event held in Rotorua intended to establish a "tent city" to ensure sufficient accommodation for visitors. While it was reported that there have always been accommodation shortages associated with this event, "the shortage was compounded by the fact that three Rotorua hotels had quarantine guests and that, according to the latest figures, there were about 400 households staying in more than 40 Rotorua motels under the emergency housing scheme".[22]

67. Evidence from other areas is corroborative of this. There were reported accommodation shortages for the Fieldays event in Hamilton in 2021, due to half of the capacity in the Waikato region being already utilised for MIQ facilities or emergency housing.[23]

The long-term nature of these adverse effects

68. The resource consent applications for the 13 motels refer to these motels being contracted for an "initial" one-year period, with the ongoing need for the motel reviewed at least annually. Each resource consent itself is being sought for a period of five years.

69. If the use of the 13 motels for contracted emergency housing is likely to be for the next few years, then the adverse economic effects identified above will persist over this time period. New Zealand's border fully re-opened in July 2022, and as discussed earlier, international tourism is likely to become more important as a result of this re-opening. International tourists spend more than domestic tourists,[24] and therefore the loss of a given international tourist will be greater than that for a given domestic tourist.

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22 "Visitor bed shortage sparks 'tent city' plan: Aim to house bike event crowd in Rotorua rather than elsewhere", *Rotorua Daily Post*, 24 June 2021.

23 "Record year predicted for Fieldays but nowhere for people to stay", *Stuff*, 28 May 2021, available at: https://www.stuff.co.nz/national/125211884/record-year-predicted-for-fieldays-but-nowhere-for-people-to-stay

24 Tourism New Zealand data shows domestic tourists spend $155 per day, while international tourists spend $232 per day. Tourism New Zealand (2020), "Te Ohanga: Understanding how visitors contribute to New Zealand's wellbeing", November.

70. It is also plausible that, by removing the tourist accommodation capacity of the 13 motels (and other non-contracted motels providing transitional/emergency housing), there is a structural shift in tourism demand for Rotorua. It is recognized in the tourism literature that the tourism industry is vulnerable to crises or events that can cause a structural break in tourism demand, from which the recovery can be considerably more complicated than for other industries.[25] That is, tourism demand falls, and persists at this lower level. If that is the case, then the adverse economic effects might be ongoing into the foreseeable future, rather than just over the time period for which tourism accommodation is used for emergency housing.

The magnitude of cumulative effects

71. To obtain a feel for the magnitude of the impact on tourism expenditure due to the loss of the 13 motels, I have estimated the reduction in the number of domestic visitors and their associated expenditure. I start by estimating this lost tourist expenditure for one of the motels, the Pohutu Lodge Motel, and then extrapolate to the other 12 motels. I do so by first estimating the domestic tourism expenditure (excluding accommodation) per domestic visitor to Rotorua on a monthly basis. I then multiply this expenditure per visitor by an estimate of the number of visitors that would have otherwise been accommodated at the Pohutu Lodge Motel in each month. The result is an estimate of the lost tourism expenditure due to the loss of the Pohutu Lodge Motel. Further details of this calculation approach are set out in Appendix 2.

72. Based on this analysis, I find that the use of the Pohutu Lodge Motel for emergency housing is likely to result in a loss of, on average, approximately $125,000 per month in domestic tourism expenditure in Rotorua. Over a one-year period, the loss in expenditure is approximately $1.5m.

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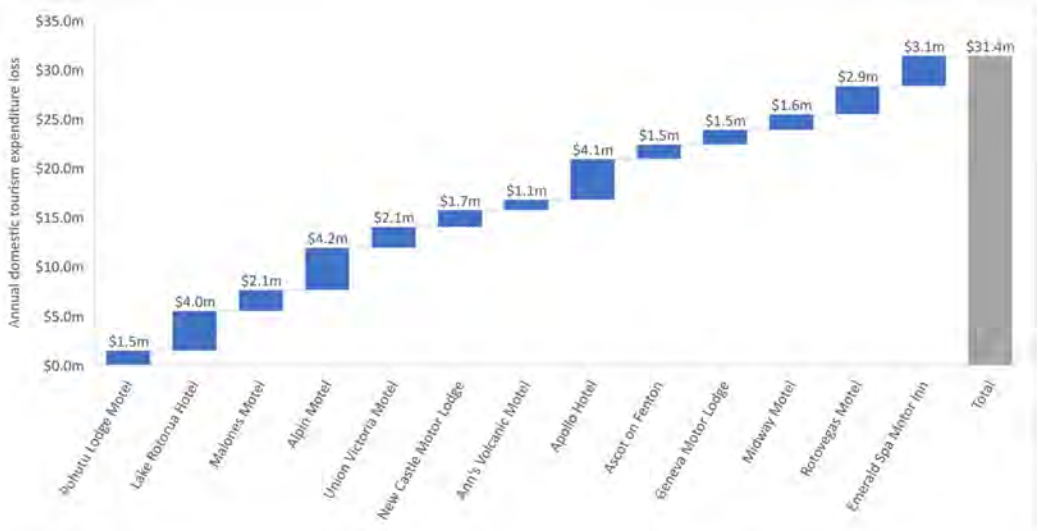
[25] See, for example, Susana Cro and Antonio Miguel Martins (2017), "Structural breaks in international tourism demand: Are they caused by crises or disasters?", *Tourism Management*, 63, 3-9.

73. As an estimate of the additional loss in domestic tourism expenditure arising from the 12 other motels for which there are pending resource consent applications, I have taken the $1.5m annual loss for the 14-unit Pohutu Lodge Motel, which implies an annual domestic tourism expenditure loss of approximately $107,000 per motel unit. I then multiplied the $107,000 by the number of units at the motels of each of the other 12 Applications, to yield an estimate of the annual domestic tourism expenditure loss for each of these motels. In Figure 6 I show the estimated loss for each of the 13 motels. In total, the annual loss of domestic tourism expenditure across these 13 motels sums to $31.4m. This is approximately 12% of annual domestic tourism expenditure, excluding accommodation, in Rotorua (for the 2021 calendar year).

Figure 6: Cumulative effect of annual loss of domestic tourism expenditure across 13 Applications



Source: NERA analysis

74. This analysis does not account for any loss of international tourists – as noted above, international tourists spend more than domestic tourists, so the (forward-looking) expenditure loss would be greater if international tourists were accounted for.

75. In addition, while Figure 6 refers to the cumulative effect across the 13 Applications, as discussed earlier I consider that the cumulative effect should also be measured across the other non-contracted transitional/emergency housing establishments. Including these 44 additional establishments in the above analysis would lead to a materially greater expenditure loss.

76. Ms Hampson notes (at [247]) that my analysis of lost tourist expenditure is unlikely to apply, because there is capacity elsewhere to accommodate demand, and tourist expenditure will only be lost over short and infrequent periods of capacity constraints (Mr Eaqub agrees with this view, at [8.7]). I have already addressed the point regarding the substitutability of capacity elsewhere. If capacity constraints were the only driver of lost tourism expenditure, then I agree that there may be some time periods in which there are no capacity constraints, although it is difficult to determine from the data whether these periods will be short and infrequent. However, as discussed above, the lost tourism expenditure is due to both capacity constraints and reputation effects, and in my view the combination of these effects will lead to an ongoing reduction in tourist guest nights and therefore lost tourist expenditure.

77. Moreover, the historical data I have analysed above shows that this ongoing reduction in tourist guest nights has been the case in the recent time period when emergency housing has been in operation in Rotorua. As noted above, there is no evidence that occupancy rates have increased at other accommodation establishments in Rotorua, and there is evidence of a consistent loss of tourist guest nights and tourist expenditure.

78. I recognise that there is the potential for some offsetting expenditure to the above estimates, because emergency housing tenants are also likely to spend money in Rotorua. However, a Ministry of Social Development report shows that the majority (69%) of people that move to emergency housing are already

based in Rotorua,[26] so there will be no net increase in their expenditure in the District. The remainder (31%) of those in emergency housing come from outside of Rotorua, which would result in an injection of spending into the District. However, it seems reasonable to assume that this would not be material given that those who move into transitional/emergency housing are likely to exhibit relatively lower discretionary spending. This appears to be consistent with Ms Hampson's view, where she notes (at [281]) that any additional expenditure from emergency housing tenants from outside of Rotorua would be minor.

79. Furthermore, going forward there may be fewer emergency housing tenants from outside of Rotorua: Mr McNabb states (at [8.38]) that the approach will be that those outside the district are not to be placed in emergency housing "without a clear connection to the city and/or a valid reason."

Concentration of the effects

80. In Figure 7 below I have mapped the locations of the Applications. I have also mapped the location of the Boulevard Motel, which as noted earlier has been granted resource consent for use in transitional housing. Also shown in Figure 7 are two circles. The larger circle is an approximately 2km radius which covers the 13 motels. Also within this circle is the Boulevard Motel, along with central Rotorua. The smaller circle is an approximately 1km radius, which excludes the Lake Rotorua Hotel but captures the other 12 motels. While not shown on the map, the 2km radius also includes a large number of the other accommodation establishments in Rotorua being used for emergency housing.

81. Figure 7 suggests there is a tight concentration of the emergency housing motels. The 12 shown in the smaller circle of radius 1km are particularly concentrated, and this radius also includes much of Fenton St and central Rotorua.

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[26] Ministry of Social Development (2022), "Rotorua Emergency Housing Analysis", 13 April.

82. This concentration is relevant to my assessment of economic effects because many businesses are also concentrated in central Rotorua. A reduction in tourist guest nights at emergency housing accommodation located close to central Rotorua would be likely to exacerbate the adverse effects on these businesses (compared to if the location of the accommodation was more dispersed). For example, tourists that would have otherwise stayed at accommodation close to central Rotorua may be more likely to patronize businesses nearby, such as those that are within walking distance. The concentration may also exacerbate adverse crime effects (which I discuss later in my evidence) and adverse reputational effects – I agree with Mr Eaqub where he states (at [6.4]) that the concentration increases public visibility and "potentially has contributed to worse stigma and publicity than if these motels were dispersed throughout the city".

<u>Figure 7</u>: Map of Boulevard Motel, 13 Applications and central Rotorua

Other economic effects

Economic effects related to crime

83. It is relevant to consider economic effects in relation to crime. It has been reported in the media that the increasing use of transitional/emergency housing in Rotorua has increased crime rates in the nearby areas.[27] In the first quarter of 2021, Rotorua had one of the highest rates of violent crime nationally.[28]

84. New Zealand Police data is corroborative of this. The Police record data on the number and place of "victimisations", which includes crimes such as unlawful entry, theft, and acts intended to cause injury. At the time I analysed this data (September 2022), the data was available over the period 1 August 2018 through to 31 July 2022, and disaggregated by "area unit", which is a defined area used by Statistics New Zealand. In Figure 8 I have shown this data – the top panel shows victimisation data across five area units that broadly cover Fenton Street and central Rotorua,[29] consistent with the area shown in the 2km radius in Figure 7 from earlier in my evidence. For context, I have also shown the victimisation data over the same time period for Rotorua overall (left bottom panel) and for all of New Zealand (right bottom panel).

85. Each of the graphs shows the data is quite volatile from around March 2020, presumably due to the impacts of Covid-19. Setting aside this volatility, the overall trend across most of the time period shown is relatively flat for New Zealand (although it has been increasing for the last part of the series in 2022). In contrast, there is a slight upward trend in the data for Rotorua, and an even stronger upward trend for the area covering Fenton St and central Rotorua

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27 "Emergency housing: Police documents point to increasing concern over crime", *RNZ*, 15 June 2021, available at: https://www.rnz.co.nz/news/political/444729/emergency-housing-police-documents-point-to-increasing-concern-over-crime

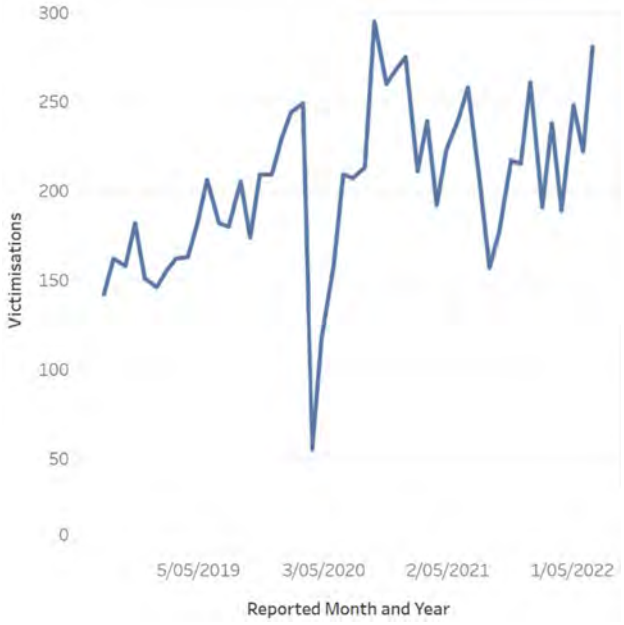
28 Global Risk Consulting Ltd (2021), "Security Situation Report: Q1 2021 A quarterly snapshot of New Zealanders' security".

29 The five area units are: Kuirau; Victoria; Glenholme West; Glenholme East; and Fenton.

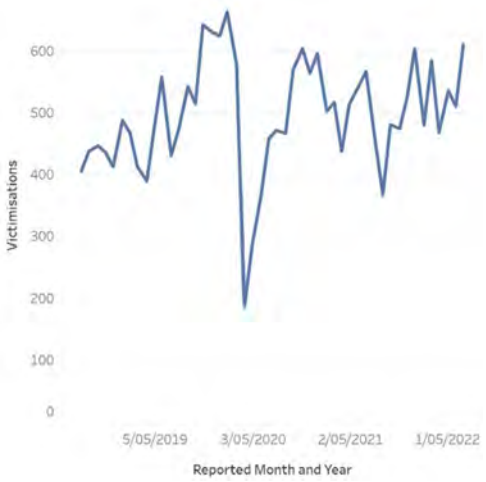
across the entire time period. This supports the media reports that crime has been increasing in areas nearby to the hotels/motels being used for transitional and emergency housing.

Figure 8: Police data on victimisations, 1 August 2018-31 July 2022

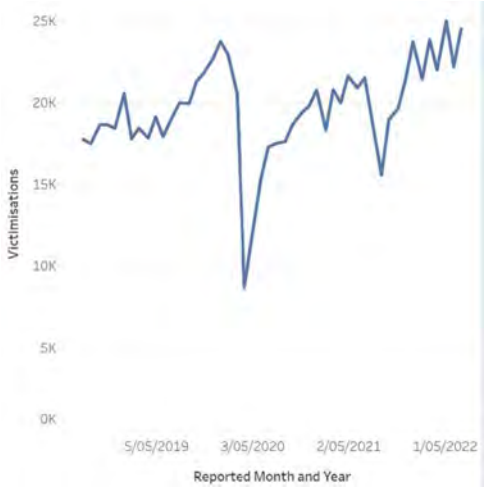
Area units around Fenton St and central Rotorua



All Rotorua



New Zealand



Source: Police NZ data, available at: https://www.police.govt.nz/about-us/publications-statistics/data-and-statistics/policedatanz/victimisation-time-and-place

86. Ms Hampson undertakes a much more comprehensive analysis of crime data. Ms Hampson's key finding (e.g., at [15] and [144]), that the concentration of emergency housing has increased crime in the Fenton Corridor, is consistent with my findings above. Ms Hampson also uses a pro rata approach to isolate the effects of contracted emergency housing on crime, and finds (at [152]) that the effect is an increase in monthly victimisations from August 2018 to July 2022 of 105-116%, compared to a 53% in her counterfactual (the absence of all emergency housing). Ms Hampson appears to conclude from this (at [18], [155] and [157]) that the effect of contracted emergency housing on crime is likely to have been minor. I interpret the results of Ms Hampson's data analysis differently: a more than 100% increase in crime (i.e., a doubling of crime) is material, even relative to a counterfactual where crime increases by approximately 50%. To put this another way, if crime increases by half in the counterfactual, I would *not* consider an increase by the same amount again due to contracted emergency housing to be minor.

87. I note also that Ms Hampson's approach, of isolating the impacts of contracted emergency housing only, effectively amounts to ignoring the effects of crime due to non-contracted emergency housing. As I discussed earlier, in my view it is not appropriate to ignore these effects when assessing cumulative effects.

88. To the extent that there has been an increase in crime, this may result in adverse economic effects. Economic analysis shows that crime can impose a range of economic costs on society, including medical costs, property losses, loss of income, and increased security costs.[30] It can also adversely affect economic productivity and investment, as victims miss work or targeted businesses close their doors. It has been shown that crime has a net negative impact on economic growth, by discouraging investment, reducing the competitiveness of businesses, and creating uncertainty and inefficiency.[31] Ms

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30 See, for example, "Economic and Social Effects of Crime", available at: https://www.encyclopedia.com/law/encyclopedias-almanacs-transcripts-and-maps/economic-and-social-effects-crime

31 Claudio Detotto and Edorado Otranto (2010), "Does Crime Affect Economic Growth?", *Kyklos: International Review for Social Sciences",* 63(3), 330-345.

Hampson refers (at [95]) to business owners in Rotorua that have identified site specific examples of these sort of economic effects.

Economic effects related to holiday rentals

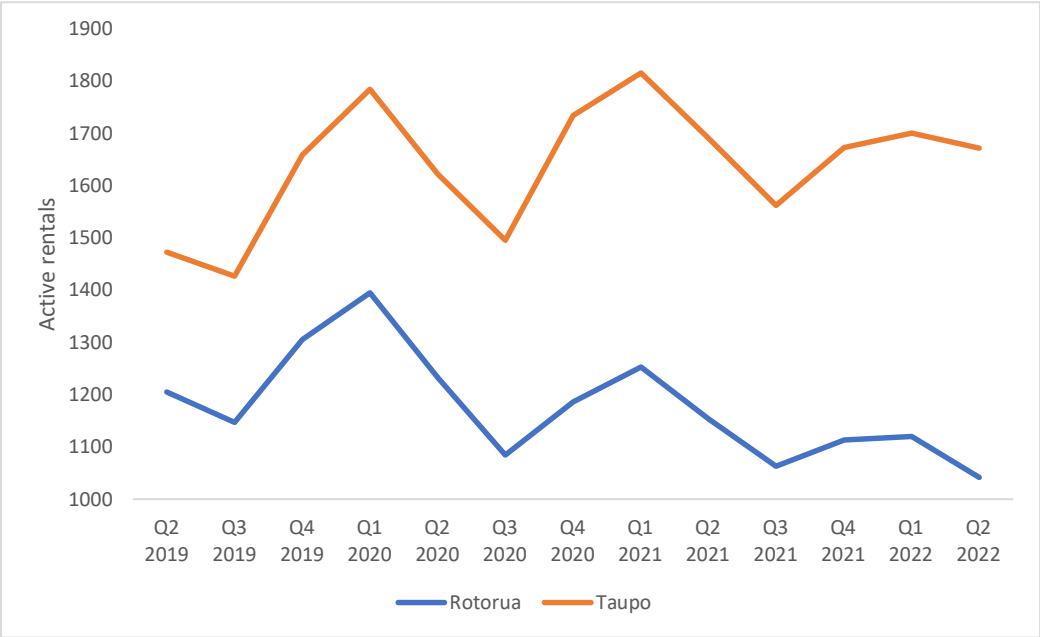
89. It may be that the use of the 13 motels for contracted emergency housing encourages existing homeowners in Rotorua to use their homes as holiday rentals (e.g., through holiday rental platforms such as AirBnB or Bookabach), and/or encourages the purchase of homes in Rotorua to be used as holiday rentals, to pick up the tourist demand that is lost from the motels. Mr Eaqub makes this point in his evidence (at [8.6]). If this were to occur, then this may mitigate some of the adverse economic impacts identified earlier, as it may allow tourists to substitute from the 13 motels to holiday rentals, thereby maintaining tourism and tourist expenditure.

90. On the other hand, the capacity of holiday rentals is unlikely to be sufficient to absorb the tourist demand that would otherwise be accommodated in the 13 motels.

91. Moreover, there is evidence of a decrease in holiday rentals in Rotorua, despite the number of active accommodation establishments and capacity in Rotorua falling (as shown earlier). In Figure 9 I have analysed data from the website AirDNA,[32] which collects data on holiday rentals listed on AirBnB and Vrbo. The graph shows the number of active holiday rentals for both the Rotorua District and Taupo District, from the second quarter of 2019 through to the second quarter of 2022. Relative to Taupo, there has been a slight fall in holiday rentals in Rotorua over this period.

[32] https://www.airdna.co/

Figure 9: AirBnB and Vrbo holiday rentals in Rotorua and Taupo, Q2 2019 to Q2 2022



Source: NERA analysis of AirDNA data

92. Accordingly, it is unlikely that the reduction in tourist expenditure due to the use of tourist accommodation for the Applications will be mitigated by tourists substituting to holiday rentals.

93. Even if there was an increase in holiday rentals to mitigate the impacts on lost tourism, this in itself may lead to other adverse economic effects. In particular, it would reduce the supply of rental accommodation and lead to higher rents. It could also exacerbate difficulties in finding properties within the housing stock to be used for transitional/emergency housing, creating a knock-on effect, where further motels are needed to accommodate those tenants.

Potentially offsetting positive economic effects

94. Lastly, I note that there may, on its face, be some positive economic effects arising from the use of the 13 motels in contracted emergency housing, specifically in respect of motel owners who profit from contracting their motels to the government. However, at the same time as motel owners profit

from the payment from the government, this should be balanced against the direct loss of tourism profits to the motels. When considering both these effects, there is likely to be only a marginal gain.

95. To elaborate, motel owners are unlikely to contract with the government if doing so means that the profits that they would have otherwise earned from tourists are more than the government payment. That is, the government would need to pay at least the lost profits from tourists to encourage motel owners to contract. However, the government is a single buyer of contracted emergency housing, and this provides it with considerable bargaining power. By utilising this bargaining power, the government could pay an amount that is only marginally greater than the amount needed to just compensate motel owners for their lost profits.

96. Accordingly, I would expect the government payment to be only a small margin over the profits that motel owners would have lost from the lost tourist accommodation. The net effect (the difference between the government payment and the lost tourism profits) is therefore only a marginal positive gain to motel owners.

97. Another possible positive economic effect is the effect of the Applications on employment. Ms Hampson's analysis finds that emergency housing in general (at [271]) and contracted emergency housing in particular (at [276]) is likely to have had a minor positive effect on employment at tourist accommodation businesses. This appears to be based on a finding that employees per accommodation business in the Fenton Corridor grew slightly from 2016 to 2020. However, Ms Hampson has not controlled for other factors that may have influenced growth in employment over this time, such as wage rates and the overall economic climate. In my view it is therefore speculative to attribute any positive effect on tourist accommodation employment to emergency housing.

Implications of possible alternative for economic effects

98. The independent planning witness for Restore Rotorua has identified that alternatives are required to be considered and has posited an alternative which includes the following:

    (a) Consent for the six contracted emergency housing motels on Fenton St to be declined;

    (b) Consent for the Lake Rotorua Hotel and Apollo Hotel to be limited to one year;

    (c) Consent for the Pohutu Lodge Motel and Union Victoria Motel to be limited to two years; and

    (d) Consent for the Alpin Motel, Newcastle Motor Lodge and Ann's Volcanic Motel to be limited to three years.

99. While this alternative is unlikely to completely eliminate the adverse economic effects I have outlined earlier, it will mitigate them to some extent. In particular:

    (a) Declining the six consents on Fenton St will allow these motels to be released to tourist accommodation, reducing the extent of the lost tourist expenditure;

    (b) Similarly, as consent for the other motels expires, these motels can be released to tourist accommodation. In this case, any mitigation of lost tourism expenditure will occur over a staged timeframe as the consents expire. Nonetheless, all of the consents for these motels will expire within three years, and within this timeframe international tourism is expected to be back to close to pre-Covid levels (as discussed earlier in my evidence); and

    (c) Declining the six consents on Fenton St will reduce the concentration of emergency housing in this area. This will mitigate some of the economic effects that I discussed earlier that arise in respect of the increased concentration, particularly in relation to crime, reputational

effects, and lost tourism expenditure for nearby businesses in central Rotorua.

100. An implicit assumption underlying the above analysis is that existing emergency housing tenants at the Applications are not displaced to *new* emergency housing establishments (i.e., establishments that would otherwise provide tourist accommodation) but to existing (non-contracted) emergency housing establishments. It also implicitly assumes that tenants at the six Fenton St motels are not displaced to existing emergency housing establishments also located on Fenton St. In this regard, I have been asked to consider whether non-Fenton St emergency housing establishments have sufficient capacity to accommodate the displaced tenants from the six Fenton St motels.

101. To estimate this, I undertook the following calculation:

(a) The six motels on Fenton St have a total stay unit capacity of 119 units. However, those 119 stay units will not always be fully utilised by emergency housing tenants. The s42 overview report shows that the actual emergency housing occupancy for these motels is 58% of the maximum occupancy.[33] While this is a percentage of occupancy, rather than a percentage of stay units, it nonetheless provides an approximation to the utilisation of the six motels. Applying 58% to 119 yields 69. That is, 69 of the stay units of the six motels need to be shifted to existing emergency housing accommodation elsewhere in Rotorua;

(b) Using the Accommodation Dashboard data, I estimate that there are 30 non-contracted emergency housing establishments that are not located on Fenton St (covering motels, hostels, bed and breakfasts and

[33] "Section 42A – Council Officers Report Overview", 22 September 2022, based on the data in the table at paragraph [185], where I have calculated the actual occupancy (past 18 months – max) as a percentage of the CEH occupancy (max).

lodges), with a total of 462 stay units.[34] I do not have sufficient data to determine the utilisation of these establishments, but assuming that the 58% calculated above also applies to those 462 stay units, this implies that there are 268 stay units utilised for emergency housing at these establishments. Therefore, there are 194 (462 minus 268) stay units free at these non-Fenton St establishments; and

(c) As a result, the 194 stay units of spare capacity at non-Fenton St establishments is more than sufficient to accommodate the 69 stay units utilised at the six Fenton St motels.

102. I emphasise that this approach is not intended to be a precise calculation of the spare capacity of non-Fenton St emergency housing accommodation, as there are various assumptions I have made due to data limitations. Nonetheless, it provides a rough feel for the relevant magnitudes, and is indicative of the capacity of non-Fenton St emergency housing establishments to accommodate displaced tenants from the six Fenton St motels.

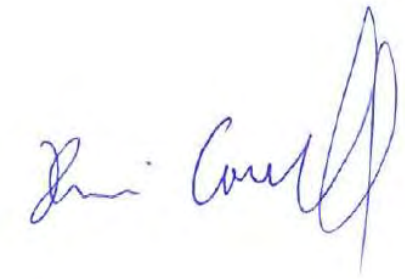
Conclusion

103. In light of my analysis, I refer again to my initial summary at paragraph 9 and repeat this summary. I find that the use of the 13 motels for contracted emergency housing will lead to numerous adverse economic effects (with only marginal positive economic effects), and I conclude that these effects will be more than minor. I have reached this conclusion on the basis that (a) the direct loss of domestic tourism expenditure, at around 12% of annual expenditure, is not trivial (and is likely to be understated as it does not capture the loss of international tourism expenditure or the cumulative effects of other emergency housing); (b) the concentration of motels near central Rotorua is likely to exacerbate this loss to nearby businesses; (c) this loss will adversely affect businesses that are already suffering from the impacts of Covid-19 on

[34] This is likely to be a slight understatement, as the Accommodation Dashboard data does not record any data for the number of stay units for some of these motels.

tourism, and will occur over a long-term period during which international borders are open and forecasts are for a return to material numbers of international tourists; (d) there are further adverse economic effects to interrelated businesses, the events industry, and in respect of crime; and (e) the tourism sector is particularly important to Rotorua. For these reasons, I also consider the adverse economic effects to be significant, in the sense of being of substantial consequence/importance to the Rotorua economy.

SIGNED this 11 October 2022



Kevin Geoffrey Counsell

APPENDIX 1 – PROFESSIONAL PROFILE: KEVIN COUNSELL

Kevin Counsell
Associate Director

NERA Economic Consulting
20 Customhouse Quay
Wellington 6011
New Zealand
Tel: +64 4 819 2551
Mobile: +64 21 569 588
kevin.counsell@nera.com

Overview

Kevin Counsell is an economic expert specialising in environmental, infrastructure, competition, and regulatory economics. He provides economic analysis on environmental policies and commercial decisions affecting the environment, and has served as an expert witness before the New Zealand Environment Court and independent hearings panels. He regularly advises clients on issues relating to mergers and anticompetitive behaviour, and the regulation of utility companies. Kevin's experience spans a wide range of geographies, including New Zealand, Australia, the United Kingdom, and Asia.

In the environment and infrastructure space, Kevin has experience assessing the costs and benefits of environmental regulations, and analysing the economic impacts of investments affecting the environment. His recent case experience includes economic analysis in respect of transport investments, a marine reserve, a mining operation, an aquaculture farm, regulations affecting agriculture and horticulture farming, and zoning regulations for property developments. Kevin also has extensive experience on issues relating to water and climate change policy, including approaches to implementing water markets, policy design for the water and waste water sectors, and emissions pricing and trading policies.

Qualifications

2005	**Victoria University of Wellington** MCA Economics (Distinction)
2001	**Victoria University of Wellington** BCA with Honours (First Class) Economics
2000	**Victoria University of Wellington** BSc Mathematics

Career Details

2008 - present	**NERA Economic Consulting**

	Associate Director, Wellington Senior Consultant, Wellington Consultant, Wellington
2014 - 2015	**New Zealand Commerce Commission** Economist (secondment), Wellington
2010	**Telecom New Zealand** Regulatory Economist (two-month secondment), Wellington
2004 - 2008	**CRA International** Senior Associate, Wellington
2007	**New Zealand Commerce Commission** Economist (three-month secondment), Wellington
2004	**Castalia Strategic Advisors** Research Assistant (short-term contract), Wellington
2003 - 2004	**Institute for the Study of Competition and Regulation (ISCR)** Research Assistant, Wellington
2000 - 2003	**Statistics New Zealand** Economic Statistician, Wellington

Selected Resource Management and Environmental Project Experience

Economic analysis to:

- Landowners in the Waipa District, on their application to the Waipa District Council for a private plan change to rezone rural land to residential land (2021-22);
- Restore Rotorua Incorporated, on the economic effects on tourism of the use of motels in Rotorua for transitional and emergency housing (2021-22);
- Landowners in Morrinsville, on their application to the Matamata-Piako District Council for a private plan change to rezone rural land to industrial land (2021);
- Sydney Water, on best practice environmental policy and regulation of wastewater services (2021);
- The Proprietors of Hauhungaroa No. 6, in respect of its application to the Taupo District Council for a private plan change to rezone rural land in Taupo to residential land (2020);
- The UK Regulator's Alliance for Progressing Infrastructure Development (RAPID), a joint team of Ofwat, Environment Agency, and Drinking Water Inspectorate, on the regulatory and commercial framework for bulk water trading in England and Wales (2020);

- The Otago Rock Lobster Industry Association, on the economic effects of a proposed marine reserve on the commercial rock lobster fishery (2020);

- The New Zealand Animal Law Association in respect of judicial review proceedings of regulations regarding farrowing crates used in pig farming (2020);

- The Royal Forest and Bird Protection Society in respect of an application by Stevenson Mining for a coal mine at Te Kuha on the West Coast (2018-2022);

- The Environmental Defence Society in respect of a proposal by New Zealand King Salmon to relocate salmon farms in the Marlborough Sounds (2017);

- A horticulturalist regarding water allocation issues arising from Tasman District Council's proposed changes to its water management plan (2015);

- The UK Environment Agency on experiences in selected sectors and countries in transitioning to market-based trading arrangements, as an input to the Agency's proposals to reform the water management framework in England and Wales (2013);

- Three Nelson-based industrial users of water in respect of a water pricing dispute with Tasman District Council (2012);

- A confidential client on water trading arrangements and mechanisms to coordinate the interaction between multiple competing water users on a river (2010);

- The Flexible Land Use Alliance regarding its submissions to the government on the treatment of pre-1990 forests in the New Zealand Emissions Trading Scheme (2008);

- Wairakei Pastoral Limited on various water allocation issues, including its appeals to the Environment Court in relation to resource consent for irrigation and the Waikato Regional Council's proposed water allocation variation (2007-2011); and

- The Waiareka Valley Preservation Society regarding its submission to Waitaki District Council and Otago Regional Council in relation to Holcim's application for resource consent to build a cement plant (2007).

Selected Publications and Presentations

"Setting Water Permit Durations: The Long and Short of It", NERA Industry Economics Series Paper (July 2022).

"Economic regulation of water services", panel presentation at the Water New Zealand Conference and Expo, Hamilton (May 2022).

"Competition and the supermarkets inquiry: What does it mean for planning", presentation to the New Zealand Planning Institute and Resource Management Law Association, Online Webinar (May 2022).

"Incorporating dynamic clustering impacts in transport appraisal", presentation at the New Zealand Association of Economists Conference, Wellington (June 2021).

"Applying Economic Analysis in Planning Proceedings: Assessing the Benefits and Costs of Residential Housing Development", *Planning Quarterly*, 220, 18-21 (April 2021).

"Fast-Tracking Projects for New Zealand's COVID-19 Recovery: The Role of Economic Analysis", NERA White Paper (June 2020).

"Issues in New Zealand freshwater", keynote presentation at the National Freshwater Conference, Wellington (February 2020).

"The economic impact of healthy waterways plans", panel presentation at the National Freshwater Conference, Wellington (February 2020).

"Resource Management System Review: Submission on the Issues and Options Paper" (3 February 2020).

"ACCC inquiry into water markets in the Murray-Darling basin: a submission on the Issues Paper" (29 November 2019).

"Privacy versus views: a law and economics approach to balancing conflicting urban values", in *New Zealand Journal of Environmental Law* (Volume 22, 2018).

"Freshwater reform", panel presentation at the Environmental Defence Society Conference, Auckland (August 2018).

"Using price signals to better manage water use", in *Resource Management Journal* (April 2018).

"Evaluating the options of charging for commercial users of water", panel presentation at the National Freshwater Conference, Wellington (February 2018).

"Balancing economic factors and growth with environmental sustainability", panel presentation at the Resource Management and Environmental Policy Conference, Auckland (June 2017).

"Economic solutions to water management: Water trading in New Zealand and Nebraska", presentation at the Freshwater Management and Infrastructure Forum, Wellington (February 2017).

"Can't get no satisfaction? Measuring economic wellbeing under the RMA," in *Resource Management Journal* (November 2015).

"Quantifying benefits and costs under the Resource Management Act", *Resource Management Theory & Practice*, 10, 97-115, with James Mellsop (2014).

"Measuring Economic Wellbeing under the RMA: Is "Economic Activity" the Right Metric?", poster presentation at the Resource Management Law Association Annual Conference (September 2014).

"Quantifying Benefits and Costs under the Resource Management Act: Lessons from Commerce Commission Decision-making", with James Mellsop, NERA Working Paper (May 2013).

"Objective RMA decision-making: Cost benefit analysis as an economic and practical framework", in *Resource Management Journal*, with Lewis Evans and James Mellsop (November 2010).

APPENDIX 2 - ESTIMATE OF TOURISM EXPENDITURE LOSS FROM POHUTU LODGE MOTEL

1. In this Appendix I set out how I have estimated the loss of domestic tourism expenditure due to a reduction in tourists from the use of the Pohutu Lodge Motel for emergency housing.

2. I start by using the ADP data, which provides monthly data on the number of "guest arrivals" in Rotorua, by accommodation type. A guest arrival is a measure of the number of guests that stayed in the accommodation establishment. I multiply guest arrivals by the proportion of domestic guests, to obtain domestic guest arrivals. In Table A, I show, over the entire period for which the ADP data has been collected, the number of domestic guest arrivals for motels in Rotorua with 6-20 units (as the Pohutu Lodge Motel is a 14-unit motel), as well as the number of these establishments that are active in each month. This allows me to also calculate the average domestic guest arrivals per active establishment.

3. I do not have disaggregated data for the guest arrivals for the Pohutu Lodge Motel specifically. However, I assume that the average domestic guest arrivals per active establishment, as calculated in Table A, is an appropriate measure of this Motel's monthly domestic guest arrivals. This appears to be a valid estimate, as I note that the Pohutu Lodge Motel has 14 units, and the average number of units per motel in Rotorua (with 6-20 units) is approximately 14 units across the time period of the ADP data (based on the "average stay units per establishment" metric in the ADP data). That is, the Pohutu Lodge Motel is representative of the average in the ADP data.

Table A: ADP data on domestic guest arrivals and active establishments for motels in Rotorua with 6-20 units, June 2020-July 2022

Month	Domestic guest arrivals	Number of active establishments	Average domestic guest arrivals per active establishment
Jun-20	5023	34	148
Jul-20	13916	32	435
Aug-20	7100	35	203
Sep-20	5069	35	145
Oct-20	6916	34	203
Nov-20	4262	34	125
Dec-20	6020	31	194
Jan-21	8051	32	252
Feb-21	6057	31	195
Mar-21	4792	29	165
Apr-21	7065	30	235
May-21	4733	28	169
Jun-21	4790	28	171
Jul-21	7524	25	301
Aug-21	3678	25	147
Sep-21	1771	23	77
Oct-21	2851	21	136
Nov-21	1826	21	87
Dec-21	3663	22	167
Jan-22	5183	20	259
Feb-22	2535	21	121
Mar-22	2854	22	130
Apr-22	3709	23	161
May-22	2468	23	107
Jun-22	3139	23	136
Jul-22	3719	24	155

Source: NERA analysis based on ADP data

4. As a next step, I determine the total domestic tourism expenditure (excluding accommodation) per domestic guest arrival in Rotorua. For this I use the TECT data on domestic tourism expenditure excluding accommodation, and divide by the total domestic guest arrivals in Rotorua in each month from the ADP data (across all accommodation types). This is shown in Table B.

Table B: Domestic tourism expenditure (excluding accommodation) per domestic guest arrival in Rotorua, June 2020-July 2022

Month	Domestic tourism expenditure (excluding accommodation)	Number of domestic guest arrivals	Average tourism expenditure per domestic guest arrival
Jun-20	$20m	23667	$854.53
Jul-20	$30m	48706	$613.56
Aug-20	$16m	24500	$671.05
Sep-20	$20m	37176	$548.44
Oct-20	$27m	50092	$537.60
Nov-20	$19m	28599	$680.08
Dec-20	$31m	48841	$631.06
Jan-21	$35m	58646	$589.36
Feb-21	$20m	35847	$555.54
Mar-21	$18m	30905	$592.14
Apr-21	$27m	56118	$475.46
May-21	$20m	32651	$603.06
Jun-21	$21m	34296	$608.57
Jul-21	$26m	50985	$506.23
Aug-21	$13m	20675	$625.98
Sep-21	$13m	9938	$1,270.33
Oct-21	$20m	17399	$1,142.40
Nov-21	$16m	13262	$1,243.30
Dec-21	$27m	28116	$947.11
Jan-22	$30m	42836	$699.84
Feb-22	$17m	19156	$879.55
Mar-22	$17m	17909	$931.07
Apr-22	$26m	34879	$751.20
May-22	$19m	20378	$932.94
Jun-22	$21m	25276	$832.99
Jul-22	$24m	34990	$678.94

Source: NERA analysis based on TECT and ADP data

5. The last step is to take the average tourism expenditure per domestic guest arrival from Table B, and multiply by the estimated number of domestic guest arrivals for the Pohutu Lodge Motel in each month (from Table A). This is shown in Table C.

6. Based on this analysis, the average monthly domestic tourism expenditure in Rotorua from the Pohutu Lodge Motel, calculated over the June 2020 to June 2022 period, is approximately $125,000 per month. Over a 12-month period, this implies that, the total domestic tourism expenditure from the Pohutu Lodge Motel would be approximately $1.5m ($125,000 multiplied by 12).

Table C: Estimated domestic tourism expenditure (excluding accommodation) for Pohutu Lodge Motel domestic guest arrivals, June 2020-July 2022

Month	Average domestic tourism expenditure per domestic guest arrival	Estimated Pohutu Lodge Motel domestic guest arrivals	Estimated domestic tourism expenditure from Pohutu Lodge Motel
Jun-20	$856.98	148	$126,612
Jul-20	$615.67	435	$267,740
Aug-20	$670.27	203	$135,968
Sep-20	$548.77	145	$79,484
Oct-20	$539.43	203	$109,725
Nov-20	$681.06	125	$85,363
Dec-20	$632.20	194	$122,773
Jan-21	$591.78	252	$148,897
Feb-21	$556.75	195	$108,787
Mar-21	$593.42	165	$98,062
Apr-21	$477.57	235	$112,459
May-21	$605.08	169	$102,289
Jun-21	$610.55	171	$104,448
Jul-21	$508.32	301	$152,984
Aug-21	$626.71	147	$92,196
Sep-21	$1,268.95	77	$97,720
Oct-21	$1,144.54	136	$155,369
Nov-21	$1,245.81	87	$108,321
Dec-21	$949.51	167	$158,093
Jan-22	$703.96	259	$182,445
Feb-22	$883.55	121	$106,669
Mar-22	$933.15	130	$121,038
Apr-22	$752.71	161	$121,370
May-22	$932.94	107	$100,092
Jun-22	$832.99	136	$113,678
Jul-22	$678.94	155	$105,211

Source: NERA analysis based on ADP data